

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF DUGGER

SULLIVAN COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
03/20/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Michelle Riggleman	01-01-12 to 12-31-15
	Melinda Smith	01-01-16 to 12-31-19
President of the Town Council	Dwight Nielson	01-01-12 to 12-31-12
	Kermit King	01-01-13 to 12-31-13
	Lawrence L. Bedwell	01-01-14 to 12-31-15
	Bill Pirtle	01-01-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF DUGGER, SULLIVAN COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Dugger (Town), for the period from January 1, 2012 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

April 5, 2017

TOWN COUNCIL
TOWN OF DUGGER

TOWN COUNCIL
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS

COUNCIL MINUTES MISSING

The minutes of the meetings of the governing body were not presented for all meetings. There were two meetings held in which minutes were not presented for examination.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

CONFLICT OF INTEREST

A Town Council member was paid to do some work on one of the Town's buildings. The amount paid for the work during the audit period was \$372. A Uniform Conflict of Interest Disclosure Statement was not filed. The Town Council member was requested to refund the payment for the labor portion to the Town by the new President of the Town Council in 2016. The amount of the labor was refunded in February 2016 in the amount of \$300.

Indiana Code 35-44.1-1-4 states in part:

". . . (b) A public servant who knowingly or intentionally:

- (1) has a pecuniary interest in; or
- (2) derives a profit from;

a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony.

(c) It is not an offense under this section if any of the following apply: . . .

- (6) A public servant makes a disclosure that meets the requirements of subsection (d) or (e) and is: . . .

TOWN COUNCIL
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS
(Continued)

(B) appointed by an elected public servant;

(C) employed by the governing body of a school corporation and the contract or purchase involves the employment of a dependent or the payment of fees to a dependent;

(D) elected; or

(E) a member of, or a person appointed by, the board of trustees of a state supported college or university. . . .

(d) A disclosure must:

(1) be in writing;

(2) describe the contract or purchase to be made by the governmental entity;

(3) describe the pecuniary interest that the public servant has in the contract or purchase;

(4) be affirmed under penalty of perjury;

(5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;

(6) be filed within fifteen (15) days after final action on the contract or purchase with:

(A) the state board of accounts; and

(B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase; . . ."

CONTRACTS FOR ACCOUNTING SERVICES

Payments totaling \$132,911.30 were made to a CPA for accounting services from 2012 through 2015. The contract presented for examination was not signed by the Town Council or the CPA firm. It was also noted that the contract presented was dated November 26, 2008, and was referred to as a proposal. The document was obtained from the CPA firm by the current Clerk-Treasurer.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN COUNCIL
TOWN OF DUGGER
EXIT CONFERENCE

The contents of this report were discussed on April 5, 2017, with Melinda Smith, Clerk-Treasurer; Bill Pirtle, President of the Town Council; and Lawrence L. Bedwell, Town Council member.

CEMETERY
TOWN OF DUGGER

CEMETERY
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS

PAYROLL DEDUCTIONS

Public Employee Retirement Fund (PERF) was paid on the Cemetery Custodian, according to PERF reports filed for the time period October 2007 to April 2013. Payments are divided into two parts, an employee and an employer portion. The Town paid 100 percent of these payments for the time period noted. The Town had not approved the payment of the employee portion by the Town. The employee portion paid by the Town in error for the period totaled \$1,219.65. It was also noted that the payments for PERF had been paid from the Cemetery fund. According to the salary ordinance, one half of the payments were to be paid from the Town General Fund. Therefore, the General Fund would owe the Cemetery \$1,825.11 for the period.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Carolyn S. Pirtle, Cemetery Custodian, was requested to repay the Town \$1,219.65 for the employee portion of her retirement contributions. Mrs. Pirtle repaid the Town \$1,219.65 on April 5, 2017. (See Summary of Charges, page 38)

CONFLICT OF INTEREST

As stated in prior Report B40732, Carolyn S. Pirtle, the spouse of Bill Pirtle, is currently employed by the Town of Dugger as the Cemetery Custodian. Bill Pirtle was the President of the Town Council for 2016. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

Indiana Code 35-44.1-1-4 states in part:

". . . (b) A public servant who knowingly or intentionally:

(1) has a pecuniary interest in; or

(2) derives a profit from;

a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony.

(c) It is not an offense under this section if any of the following apply: . . .

(6) A public servant makes a disclosure that meets the requirements of subsection (d) or (e) and is: . . .

(B) appointed by an elected public servant;

(C) employed by the governing body of a school corporation and the contract or purchase involves the employment of a dependent or the payment of fees to a dependent;

(D) elected; or

CEMETERY
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS
(Continued)

(E) a member of, or a person appointed by, the board of trustees of a state supported college or university. . . .

(d) A disclosure must:

- (1) be in writing;
- (2) describe the contract or purchase to be made by the governmental entity;
- (3) describe the pecuniary interest that the public servant has in the contract or purchase;
- (4) be affirmed under penalty of perjury;
- (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
- (6) be filed within fifteen (15) days after final action on the contract or purchase with:
 - (A) the state board of accounts; and
 - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase; . . ."

CEMETERY FUND

The Town disbursed \$10,289.30 from the Cemetery fund for expenses unrelated to Cemetery purposes, as follows:

Utilities	\$	1,865.82
Computer Software Fees		5,231.25
Personal Services and Benefits		<u>3,192.23</u>
 Total	 \$	 <u>10,289.30</u>

Indiana Code 23-14-65-8 states in part:

"(a) The legislative body of a municipality may by ordinance or resolution accept gifts, donations, bequests, or devises of money or real or personal property for the use of the:

- (1) cemetery; or
 - (2) permanent maintenance fund of the cemetery.
- (b) Except as provided in subsection (c), a municipality shall use:
- (1) gifts, donations, bequests, or devises accepted under subsection (a); and
 - (2) income or interest derived from the gifts, donations, bequests, or devises; in the same manner as the municipality uses proceeds from the sale of lots. . . ."

CEMETERY
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 23-14-65-17 states in part:

"A cemetery board: . . .

(3) may collect and receive all money owed for:

(A) the sale of lots; . . .

(4) shall use and disburse the money received for the preservation, care, and improvement of the cemetery or cemeteries over which it has control and management."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CEMETERY
TOWN OF DUGGER
EXIT CONFERENCE

The contents of this report were discussed on April 5, 2017, with Melinda Smith, Clerk-Treasurer; Bill Pirtle, President of the Town Council; Carolyn S. Pirtle, Cemetery Custodian; and Lawrence L. Bedwell, Town Council member.

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PARK AND RECREATION
TOWN OF DUGGER

PARK AND RECREATION
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

Receipts were deposited later than the next business day in 40 percent of receipts tested for the Park and Recreation Department. The Town charged a rental fee and a security deposit for facilities available for rent. Security deposits were not being refunded through the claim process. Instead, security deposits were being held and returned after inspection was performed on the building used. It was noted that in 2 instances that the rental amount was not deposited for up to 4 months after receipt.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

ORDINANCES AND RESOLUTIONS - RENTAL FEES

The Town had an ordinance concerning the rental and use of the Dugger Community Center. However, the Town did not comply with its existing ordinance because it did not charge everyone according to its ordinance.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

PARK AND RECREATION
TOWN OF DUGGER
EXIT CONFERENCE

The contents of this report were discussed on April 5, 2017, with Melinda Smith, Clerk-Treasurer, and Lawrence L. Bedwell, Town Council member.

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WATER UTILITY
TOWN OF DUGGER

WATER UTILITY
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

The Town and Water Utility paid penalties, interest, and other charges to Indiana Department of Revenue (DOR) and the Internal Revenue Service (IRS) in the amount of \$11,735.92 and \$5,643.53, respectively, for failure to remit payments or file required reports timely.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Michelle Riggelman, former Clerk-Treasurer, was requested to repay the Town \$17,379.45 for penalties, interest, and other charges assessed by the DOR and the IRS. (See Summary of Charges, page 38)

UTILITY RECEIPTS TAX

The Water Utility did not file the utility receipts tax annual report to the DOR from 2006 through 2014. Some quarterly payments were made to the DOR for the time period noted.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WATER UTILITY
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS
(Continued)

ORDINANCES AND RESOLUTIONS

The Town has an ordinance concerning the Water Utility rates to be charged to its customers. However, the Town did not comply with its existing ordinance, because a tracking factor was charged to customers from November 2012 to November 2015 that was not included in the ordinance.

As stated in prior Reports B37747 and B40732, the Town had an ordinance concerning Water Utility delinquencies. However, the Town did not disconnect service in accordance with the ordinance.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CAPITAL ASSETS

As stated in prior Reports B37747 and B40732, the Town had not properly maintained a completed inventory of capital assets owned. No capital asset information was contained in the Annual Financial Report in the Indiana Gateway for government units.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CUSTOMER DEPOSIT REGISTER

As stated in prior Report B40732, the detailed customer deposit register did not reconcile with the customer deposit amount recorded on the general ledger.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance maybe the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

WATER UTILITY
TOWN OF DUGGER
EXIT CONFERENCE

The contents of this report were discussed on April 5, 2017, with Melinda Smith, Clerk-Treasurer; Walter Talpas, Utility Superintendent; Carolyn Settles, Utility Clerk; and Lawrence L. Bedwell, Town Council member.

WASTEWATER UTILITY
TOWN OF DUGGER

WASTEWATER UTILITY
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS

DELINQUENT WASTEWATER ACCOUNTS

Delinquent Wastewater fees and penalties had not been recorded with the County Recorder, nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

". . . (b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

CAPITAL ASSETS

As stated in prior Reports B37747 and B40732, the Town had not properly maintained a completed inventory of capital assets owned. No capital asset information was contained in the Annual Financial Report in the Indiana Gateway for government units.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

WASTEWATER UTILITY
TOWN OF DUGGER
EXIT CONFERENCE

The contents of this report were discussed on April 5, 2017, with Melinda Smith, Clerk-Treasurer; Bill Pirtle, President of the Town Council; Walter Talpas, Utility Superintendent; Carolyn Settles, Utility Clerk; and Lawrence L. Bedwell, Town Council member.

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CLERK-TREASURER
TOWN OF DUGGER

CLERK-TREASURER
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

The Town and Water Utility paid penalties, interest, and other charges to Indiana Department of Revenue (DOR) and the Internal Revenue Service (IRS) in the amount of \$11,735.92 and \$5,643.53, respectively, for failure to remit payments or file required reports timely.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Michelle Riggleman, former Clerk-Treasurer, was requested to repay the Town \$17,379.45 for penalties, interest, and other charges assessed by the DOR and the IRS. (See Summary of Charges, page 38)

PAYROLL DEDUCTIONS

Public Employee Retirement Fund (PERF) was paid on the Cemetery Custodian, according to PERF reports filed for the time period October 2007 to April 2013. Payments are divided into two parts, an employee and an employer portion. The Town paid 100 percent of these payments for the time period noted. The Town had not approved the payment of the employee portion by the Town. The employee portion paid by the Town in error for the period totaled \$1,219.65. It was also noted that the payments for PERF had been paid from the Cemetery fund. According to the salary ordinance one half of the payments were to be paid from the Town General Fund. Therefore, the General Fund would owe the Cemetery \$1,825.11 for the period.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Carolyn S. Pirtle, Cemetery Custodian, was requested to repay the Town \$1,219.65 for the employee portion of her retirement contributions. Mrs. Pirtle repaid the sum of \$1,219.65 to the Town on April 5, 2017. (See Summary of Charges, page 38)

COUNCIL MINUTES MISSING

The minutes of the meetings of the governing body were not presented for all meetings. There were two meetings held in which minutes were not presented for examination.

CLERK-TREASURER
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

APPROPRIATIONS

As stated in prior Reports B37747 and B40732, the records presented for examination indicated the following expenditures in excess of budgeted appropriations:

Years	Fund	Excess Amount Expended
2014	General	\$ 57,944
2014	EDIT	899
2014	Rainy Day	4,227
2015	LECE	166
2015	Rainy Day	4,703

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

ORDINANCES AND RESOLUTIONS - RENTAL FEES

The Town had an ordinance concerning the rental and use of the Dugger Community Center. However, the Town did not comply with its existing ordinance because it did not charge everyone according to its ordinance.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS
(Continued)

FUND SOURCES AND USES

The Town disbursed \$10,004 from Motor Vehicle Highway Fund for the Town Marshal's salary in 2013.

Indiana Code 8-14-1-5(b) states:

"In addition to purposes for which funds may be expended under subsections (a) and (c) of this section, monies allocated to cities and towns under this chapter may be expended for law enforcement purposes, subject to the following limitations:

- (1) For cities and towns with a population of less than five thousand (5,000), no more than fifteen percent (15%) may be spent for law enforcement purposes.
- (2) For cities and towns other than those specified in subdivision (1) of this subsection, no more than ten percent."

Based on this statute, the Town's expenditure of Motor Vehicle Highway funds for public safety exceeded the statutory limit by \$6,076.

Indiana Code 8-14-1-3 lists the penalty for misapplication of Motor Vehicle Highway Distributions.

This statute states in part:

". . . If any funds allocated to any city or town shall be used by any officer or officers of such city or town for any purpose or purposes other than the purposes as defined in this chapter such officer or officers shall be liable upon their official bonds to such city or town in such amount so used for other purposes than for the purposes as defined in this chapter together with the costs of said action and reasonable attorney fees recoverable in an action or suit instituted in the name of the State of Indiana on the relation of any taxpayer or taxpayers resident of such city or town. . . ."

DEPOSITS

Receipts were deposited later than the next business day in 40 percent of receipts tested for the Park and Recreation Department. The Town charged a rental fee and a security deposit for facilities available for rent. Security deposits were not being refunded through the claim process. Instead, security deposits were being held and returned after inspection was performed on the building used. It was noted that in 2 instances that the rental amount was not deposited for up to 4 months after receipt.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

CLERK-TREASURER
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

As stated in prior Report B40732, depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation contained adjustments that had existed for an extended period, some prior to 2012, which should have cleared by year end.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee maybe held personally responsibility for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent Wastewater fees and penalties had not been recorded with the County Recorder, nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

". . . (b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.

(B) A description of the premises, as shown by the records of the county auditor.

(C) The amount of the delinquent fees, together with the penalty.

(2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

CLERK-TREASURER
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS
(Continued)

UTILITY RECEIPTS TAX

The Water Utility did not file the utility receipts tax annual report to the DOR from 2006 through 2014. Some quarterly payments were made to the DOR for the time period noted.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

As stated in prior Report B40732, the financial statements presented in this report included the following funds with overdrawn cash balances at December 31, 2012, 2013, 2014, and 2015:

Years	Fund	Amount Overdrawn
2012	Payroll (New)	\$ 27,690
2012	Community Center Donation	967
2013	Payroll (New)	49,594
2013	Community Center Donation	967
2014	Payroll (New)	2,513
2014	Community Center Donation	967
2015	Payroll (New)	1,122
2015	Rainy Day Fund	4,703
2015	Community Center Donation	967

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

A sample of claims identified the following deficiencies with an error rate greater than 10 percent:

1. Of the claims tested, 15 percent did not have Town Council approval. This error resulted in \$3,702.84 of expenditures which did not have proper Town Council approval.
2. Of the claims tested, 30 percent did not have proper approval by the Fiscal Officer. This error resulted in \$14,392.53 of expenditures which did not have proper approval by the Fiscal Officer.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

ORDINANCES AND RESOLUTIONS - WATER UTILITY

The Town had an ordinance concerning the Water Utility rates to be charged to its customers. However, the Town did not comply with its existing ordinance, because a tracking factor was charged to customers from November 2012 to November 2015 that was not included in the ordinance.

As stated in prior Reports B37747 and B40732, the Town had an ordinance concerning Water Utility delinquencies. However, the Town did not disconnect service in accordance with the ordinance.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS
(Continued)

CEMETERY FUND

The Town disbursed \$10,289.30 from the Cemetery fund for expenses unrelated to Cemetery purposes, as follows:

Utilities	\$	1,865.82
Computer Software Fees		5,231.25
Personal Services and Benefits		<u>3,192.23</u>
 Total	 \$	 <u>10,289.30</u>

Indiana Code 23-14-65-8 states in part:

"(a) The legislative body of a municipality may by ordinance or resolution accept gifts, donations, bequests, or devises of money or real or personal property for the use of the:

- (3) cemetery; or
- (4) permanent maintenance fund of the cemetery.
- (b) Except as provided in subsection (c), a municipality shall use:
 - (3) gifts, donations, bequests, or devises accepted under subsection (a); and
 - (4) income or interest derived from the gifts, donations, bequests, or devises; in the same manner as the municipality uses proceeds from the sale of lots. . . ."

Indiana Code 23-14-65-17 states in part:

"A cemetery board: . . .

- (3) may collect and receive all money owed for:
 - (A) the sale of lots; . . .
- (5) shall use and disburse the money received for the preservation, care, and improvement of the cemetery or cemeteries over which it has control and management."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CAPITAL ASSETS

As stated in prior Reports B37747 and B40732, the Town had not properly maintained a completed inventory of capital assets owned. No capital asset information was contained in the Annual Financial Report in the Indiana Gateway for government units.

CLERK-TREASURER
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS
(Continued)

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CONTRACTS FOR ACCOUNTING SERVICES

Payments totaling \$132,911.30 were made to a CPA for accounting services from 2012 through 2015. The contract presented for examination was not signed by the Town Council or the CPA firm. It was also noted that the contract presented was dated November 26, 2008, and was referred to as a proposal. The document was obtained from the CPA firm by the current Clerk-Treasurer.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

INTERNAL CONTROLS

The Town had implemented controls over the payroll and reporting processes. Sufficient controls were not in place to ensure payroll deductions and reports and utility reports were being done correctly and submitted properly and timely.

The State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

CLERK-TREASURER
TOWN OF DUGGER
EXAMINATION RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND

Michelle Riggleman, former Clerk-Treasurer, was covered by an official bond as follows:

<u>Bond Period</u>	<u>Amount</u>
01-01-12 to 12-31-15	\$ 50,000

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

CLERK-TREASURER
TOWN OF DUGGER
EXIT CONFERENCE

The contents of this report were discussed on April 4, 2017, with Michelle Riggleman, former Clerk-Treasurer.

The contents of this report were discussed on April 5, 2017, with Melinda Smith, Clerk-Treasurer; Bill Pirtle, President of the Town Council; and Lawrence L. Bedwell, Town Council member.

TOWN OF DUGGER
SULLIVAN COUNTY
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Carolyn S. Pirtle, Cemetery Custodian Payroll Deductions, page 10	\$ 1,219.65	\$ 1,219.65	\$ -
Michelle Riggleman, former Clerk-Treasurer Penalties, Interest, and Other Charges, page 28	<u>17,379.45</u>	<u>-</u>	<u>17,379.45</u>
Totals	<u>\$ 18,599.10</u>	<u>\$ 1,219.65</u>	<u>\$ 17,379.45</u>

This report was forwarded to the Office of the Indiana Attorney General.

AFFIDAVIT

STATE OF INDIANA)
Greene COUNTY))

I, Annette Ladson, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records as described in our letter to the officials of the Town of Dugger, Sullivan County, Indiana, for the period from January 1, 2012 to December 31, 2015, is true and correct to the best of my knowledge and belief.

Annette Ladson
Field Examiner

Subscribed and sworn to before me this 27 day of February, 2018

J. Kevin Kramer
Notary Public

My Commission Expires: 1-22-2025

County of Residence: Greene

